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SECURITY INFORMATION

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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### SOVIET UNION

1. Harvest difficulties in the USSR: The US Embassy in Moscow reports that as yet there have been no regional announcements of the fulfillment of compulsory grain deliveries. This delay, the most protracted in five years, reflects the late spring in most areas and difficult harvesting conditions in others. It is also believed that further harvesting losses may result from the continued cool and rainy weather in the central and northern areas. (S Moscow Weeka 35, 30 Aug 52)

### EASTERN EUROPE

2. Bulgarian International Trade Fair opened: Speaking at the official inauguration of the Plovdiv sample fair on 31 August, Bulgarian Vice Premier Damianov stated that the exhibition "illustrates the close economic collaboration between nations on the basis of equal rights and mutual advantage, a collaboration under which the international economic conference took place in Moscow."

Earlier, the Bulgarian Minister of Foreign Affairs asserted that the meeting would offer "a reply to the provocative attempts of the United States monopolists who, with their policy of discrimination, are attempting ... to prepare a new world war." (R FBIS Sofia, 2 Sept 52; Summary of World Broadcasts #338, 14 Aug 52)

Comment: The Plovdiv International Fair will continue through 14 September. Propaganda pamphlets and letters to various European firms have stressed that the Fair is to be regarded not only as a Bulgarian undertaking, but as a joint Eastern European effort. According to Bulgarian press reports, some 130 firms from Sweden, Italy, Austria, France, West Germany, Holland, Switzerland, and Britain will participate, in addition to the states of the Satellite Bloc.

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3. Possible increase in size of Bulgarian military forces: According to information emanating from the French Legation in Sofia, the Bulgarian Ministry of Defense has postponed until January 1953 the release of half of the military class of 1929 which was originally scheduled for July. Moreover, half of the class of 1933 has been called up six months ahead of schedule. On the basis of this information, the French believe that four and one half classes are presently under arms in Bulgaria. (S Athens 747, 2 Sept 52)

Comment: The call-up of the military class of 1933 has not previously been reported and is not supported by other evidence. The induction of this class would appreciably augment the over-all capabilities of the Bulgarian Army.

Although the French report would tend to suggest that the classes of 1929, 1930, 1931, 1932, and half of the class of 1933 are now under arms, there is evidence to indicate that at least a part of the class of 1929 has been released. The personnel strength of the Bulgarian Army is currently estimated to be 180,000.

4. Bulgarian State retail consumer prices reduced: The Council of Ministers and Central Committee of the Bulgarian Communist Party have issued a decree reducing State retail prices on a large number of consumer goods. The reductions are allegedly the result of a considerable increase in output and a concomitant reduction in production costs.

Prices of merchandise sold by workers' cooperatives, by agricultural establishments, and by peasants in town markets will not be affected by the decree. (R FBIS Sofia, 2 Sept 52)

Comment: Although the monetary reform in May was accompanied by a general reduction in retail prices, an increase in workers' wages and an abolition of rationing, the purchasing power of the Bulgarian population was considerably decreased and the cost of living showed a distinct rise. These earlier price reductions were largely artificial, since the changes were based on former free market prices rather than on the lower, standard prices which had governed the sale of merchandise under the rationing system. The present decree might indicate that new adjustments were found necessary in order to place price levels on a more realistic basis and encourage the movement of goods in domestic trade.

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The increased cost of living in Bulgaria has reportedly given rise to general discontent, and the new price reductions may be, at least in part, a government attempt to mollify a restive population.

5. French official believes Bulgarian purge imminent:  
According to information received by the American Embassy from the French Embassy in Athens, the French Minister in Sofia believes that Premier Chervenkov will play a more and more secondary role in Bulgarian politics, being replaced by General Ivan Mihailov, a Vice Premier and "Kremlin devotee."

According to the same source, a general purge was announced in Sofia on 20 June affecting second rank Communist Party members who criticized monetary reforms. A meeting held at Varna on 3 August deplored the lack of discipline of the Communist Party of Bulgaria and denounced the apathy of high authorities, "thus indicating the beginning of a new and larger purge reaching as high as the Politburo."  
(S Athens 747, 2 Sept 52)

Comment: An effort to tighten up administrative efficiency and discipline on all levels of Bulgarian party leadership has been under way for several months.

Rumors concerning the imminent replacement of Premier Chervenkov have been commonplace since his election in February 1950.

6. Rumors of a return to rationing cause panic buying in Budapest stores: The Budapest radio describes a panic buying spree in the Hungarian capital last weekend after rumors that rationing would be reinstituted. The radio branded the episode as "the enemy's attempt to disturb the smooth flow of public supplies" and declared that the government's supply system was too sound to be upset.

Another broadcast asserted that several "speculators" who had hoarded fat, sugar, soap and flour had been condemned to three or five years of imprisonment, had their property confiscated and their apartments taken over for "worthy families with children." (R FBIS Budapest, 2 and 3 Sept 52)

Comment: Shortages of corn, vegetables, and livestock which may result from poor crops this year may cause a re-institution of rationing. Rumors of a return to rationing

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have been current all summer and the Budapest radio has carried accounts of the punishment of "kulaks" for hoarding flour and other commodities.

Rationing in all products was abolished last winter. Simultaneously sharp increases in the price of most foods were announced, and since that time prices have risen further. Rumors of a currency reform last January touched off a similar buying rush.

7. Hungarian Mining Ministry official reportedly arrested: The US Legation in Budapest has learned from a reliable source that two officials in the Hungarian Ministry of Mines have been arrested, as well as the chief engineer and four subordinates at the Varpalota coal mines. Moreover, the Legation notes that the official Hungarian trade union newspaper has criticized the Chief of the Ministry's Coal Department for negligence in enforcing collective agreements with the unions. The measures are in connection with the current drive to spur coal mines to meet the plan. (R Budapest 204, 2 Sept 52)

Comment: A recent editorial in the Hungarian Workers Party official organ charged that "conservative opinions" in the Ministry of Mining and Power constituted "direct resistance" to the use of mining machinery and sabotage to the plan. The Minister of Mines has been unaccountably absent for about two months.

The Budapest radio a month ago accused the Varpalota Mines of inefficiency because no competition had been arranged by 43 brigades to honor Constitution Day on 20 August.

8. Rumanian "saboteurs" sentenced: The Bucharest Territorial Military Tribunal has sentenced a "gang of saboteurs and wreckers" from the Danube-Black Sea Canal construction project. Five of the ten defendants were sentenced to death "for sabotaging the thriving Rumanian national economy," the other five received terms of from 20 years to life imprisonment.

These former engineers, section chiefs, and locomotive engineers, identified as former Iron Guardists and members of the bourgeoisie and opposition parties, were charged with infiltrating into leading positions on the canal project and slowing down construction. To achieve this they delayed and "mixed up" planning, slandered and sabotaged Soviet

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equipment, and spread provocative news against the Rumanian People's Republic and the Soviet Union. (R FBIS Bucharest, 2 and 3 Sept 52)

Comment: The arrest and sentencing of these officials in a show trial on the construction site suggests that they have been used in technical capacities for which they were trained and are now being made scapegoats for generally unsatisfactory progress of the canal.

The American Legation in Bucharest has recently reported poor progress on the canal. One informant who worked two years on the project mentioned in particular the improper use and maintenance of construction machinery.

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FAR EAST

9. Mao again thanks Stalin for "help" against Japan: A telegram from Mao Tse-tung to Stalin on the seventh anniversary of V-J Day expresses "deep gratitude" for the USSR's "tremendous aid" to China during World War II and for having "helped the Chinese people to achieve the final victory..." Mao notes that the Sino-Soviet alliance is directed against aggression by Japan or any state allied with Japan.

Stalin's reply credits the Chinese with having played an "immense role" in the defeat of Japan and cites Sino-Soviet friendship as a guarantee against "the danger of new aggression." (R FBIS Peiping, 2 Sept; Moscow, 3 Sept 52)

Comment: Mao last year thanked Stalin for "great help" in the war against Japan, and Stalin conceded that China had played an "important part." These exchanges are interesting in that they show a Chinese refusal to relinquish the claim of having led in the war against Japan, and a Soviet willingness to refrain from the usual assertion that the USSR won the war almost single-handed.

Despite these indications of a sensitive area in Sino-Soviet relations, these messages, like last year's, reaffirm the joint Sino-Soviet commitment, formalized in the 1950 treaty, against "aggression" by Japan and its allies.

10. Madame Sun calls for peaceful settlement of Far Eastern conflicts: A current People's China article by Madame Sun Yat-sen, on the Pacific "peace" conference opening in Peiping late this month, supports other evidence that the emphasis in world communism's Far Eastern program is shifting from military to political action.

Madame Sun argues that peace is an "urgent practical problem" in the Far East, where "several wars" are in progress. She denounces alleged American aggression and asks: "Who benefits by the fighting in Korea, Vietnam and Malaya, by the unilateral treaties which keep other countries as colonies, by rearmament, by restriction of trade and cultural intercourse?"

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Madame Sun's article follows the main lines of Asian Communist propaganda of the past three months. A conference of Soviet theoreticians last November altered the official line of the previous two years--that of primary reliance on military operations by indigenous "liberation" movements. The theorists emphasized the prospects for successful political action to "unite" Asian peoples in opposition to the West. Several Far Eastern Communist movements, probably for a variety of reasons, have shifted their tactics in the past year, and Communist propaganda since early June has called for peaceful settlement of all current Far Eastern conflicts. (Factual data from: R FBIS Peiping, 28 Aug 52)

SOUTHEAST ASIA

11. Philippine Government hopes to bargain for participation in ANZUS: Philippine Foreign Minister Elizalde informed the French Charge that his government would eventually ask to participate in ANZUS, and that this participation would enable President Quirino to obtain Senate ratification of the Japanese peace treaty.

The American Ambassador in Manila believes that Philippine inclusion in ANZUS is still undesirable, that it would not bring about ratification of the peace treaty, and that the United States should not "bargain" to obtain ratification. (S Manila 651, 2 Sept 52)

Comment: Formalization of the US-Philippine Mutual Defense Pact was arranged for 27 August to counteract criticism in Manila of the ANZUS meeting at Honolulu. The United States maintains, however, that the Philippines is still obligated to ratify the Japanese treaty because of an agreement a year ago that the exchange of ratifications of the Mutual Defense Pact would be dependent on this act.

Inclusion of the Philippines in ANZUS will probably be opposed by Australia and New Zealand, which are reluctant to increase their defense responsibilities.

12. Indonesian Foreign Minister expresses opposition to aid from Soviet Union: Foreign Minister Mukarto in an interview on 29 August expressed his opposition to the acceptance of assistance from the Soviet Union lest Indonesia become

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"another Czechoslovakia." He stated that although Indonesia would accept aid from "any country willing to respect our sovereignty and independent neutrality," he did not think it wise to accept technical assistance from the USSR "now" because "there would probably be stronger strings attached to it than to American aid." Mukarto added that the establishment of an Indonesian Embassy in Moscow was necessary to implement Indonesia's independent foreign policy. (R Djakarta 430, 2 Sept 52)

Comment: The Soviet Union has made no offers of assistance to Indonesia, but a recent Burmese request for Russian aid has aroused press speculation as to Indonesian policy should such aid appear to be available.

Indonesia has yet to make a clear-cut statement on the desirability of American aid.

13. Indonesian Moslem Party congress attempts to mend party split: The Masjumi (Moslem party) annual congress, which ended 31 August, elected Natsir and Sukiman as chairman and vice chairman respectively of the party's executive council. As leaders of the liberal and conservative factions of the party, their election is regarded as an effort to balance the two groups.

The foreign affairs program endorsed by the party urges a foreign policy based on the defense of world peace, friendship with all countries, "particularly God-fearing and democratic ones," active participation in the UN, acceptance of foreign aid "only if this entails no military or political commitments restricting sovereignty," and the inclusion of West Irian in Indonesia. (U Djakarta 431, 2 Sept 52)

Comment: The Masjumi is the largest and most conservative political organization in Indonesia. Its liberal wing is represented in the present cabinet.

Political strife between the two principal factions has led to concern lest the party split, thereby seriously diminishing its influence as a moderating force in Indonesian politics. Responsible party leaders, however, aware of the need for a responsible political organization in Indonesia, apparently are trying to hold the Masjumi together as a cohesive group. The wording of the foreign affairs program indicates the willingness of both groups to compromise.

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The selection of Natsir as chairman indicates that his group continues to be in the ascendancy.

NEAR EAST - AFRICA

14. Turkish National Confederation of Trade Unions announces some objectives: The General Secretariat of the newly-organized Turkish Confederation of Trade Unions has announced that among its objectives are a sliding wage scale based on cost of living indices, unemployment insurance, and the removal of wage differentials because of age or sex. (R Ankara AFC 138, 1 Aug 52)

Comment: The present administration has enacted laws to pay workers half wages for non-worked holidays, and has expanded the 1936 labor code to cover an additional 75,000 workers. Some action is also being taken to put into effect the minimum wage provisions of the 1936 labor code. Strikes are illegal under present Turkish law, but there is a bill pending which would permit both strikes and lockouts under certain conditions.

15. New Turkish Minister appointed to Bulgaria: The present Turkish Minister to Finland, Kemal Kavur, has been appointed Minister to Bulgaria. The Turkish Foreign Office emphasized to the American Embassy that the appointment has no special significance, and reflects no improvement or change in Turkish-Bulgarian relations, and no change is anticipated in the frontier situation. (S Ankara 281, 31 Aug 52)

Comment: Turkey has a Minister currently assigned to Bulgaria, but he has not been in residence there for two years. Bulgaria has retained a Minister in Ankara, however, and Turkey apparently believes that diplomatic representation in Sofia is now advisable.

16. French officials meet next week to revise Moroccan import controls: French officials in Morocco are scheduled to confer with the French Foreign Office on 9 or 10 September to revise Moroccan import controls which were recently declared invalid by the International Court of Justice.

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The French Foreign Office considers that new regulations could be ready within two weeks, but that they would probably disappoint American business interests in Morocco. On the other hand, French protectorate authorities are inclined to oppose both regulations which would apply equally to French and foreign business and to complete freedom of importation. They also are anxious to protect Moroccan industries, such as textiles and sardine packing. (C Paris 1350; Rabat 18, 2 Sept 52)

Comment: In general, the French and the Moroccans have been pleased with the International Court's ruling of 27 August. While the Court did uphold American treaty rights, as well as the US position with regard to discriminatory import regulations imposed in December 1948, it ruled that prior US Government agreement is not required before Moroccan law and taxes are applied to American nationals residing in the protectorate.

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WESTERN EUROPE

17. Pro-Italian group in Trieste reportedly believes partition of territory acceptable to Italians: The leader of the pro-Italian Committee of National Liberation (CLN) in Istria appears convinced that the Italian people have accepted the idea of dividing the Free Territory of Trieste, [REDACTED]  
25X1X [REDACTED] Although the organization has hitherto held that the entire territory should go to Italy, the CLN leader has reportedly stated that it will accept partition under protest. He believes, however, that the Italian Government should stall on any settlement of the Trieste issue until after the forthcoming national elections. (S Trieste Joint Weeka 35, 29 Aug 52)  
25X1X
- Comment: No other reports have been received to indicate that a partition of the Free Territory would be acceptable to Italian public opinion. However, there have been recent indications that the Italian Government may be willing to consider partition based on an ethnic line.
18. American officials urge encouragement of pro-West sentiment in East Germany: American officials in Berlin believe that the will of pro-Western elements in East Germany to continue to resist Communist pressure depends upon a prompt and decisive reply to the Soviet note of 24 August. They cite indications from the Soviet Zone that the anti-Communist majority cannot hold out much longer without some positive response on the part of the West.
- American representatives in Berlin urge that, to maintain East German faith in the West, the Western powers either terminate the exchange of notes with the Soviet Union or agree to an early four-power conference in Berlin. While the first alternative would have the advantage of demonstrating Western "courage," the second would make very difficult the "building of Socialism," the erection of a military machine, and the further isolation of the population in East Germany.
- These officials believe that the greatest weakness of the Western position in East Germany is the popular impression that the Russians are more willing to gamble on the unity theme than the West. (S Berlin 375, 2 Sept 52)
19. Adenauer optimistic on ratification of Bonn and Paris treaties: After his first consultation with the West German Cabinet following a month's absence from Bonn, Chancellor Adenauer

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told General Ridgway that he was more confident than ever that the Bonn and Paris treaties would be ratified by mid-October at the latest. The Chancellor also stated that as soon as the treaties had gone into effect, West Germany would make its full contribution to European defense. (S Bonn 935, 2 Sept 52)

Comment: The Chancellor's optimism suggests that he does not believe that parliament will press him for a full settlement of the Saar problem prior to the treaties' ratification.

Despite Adenauer's positiveness on the West German share in European defense, negotiations over the Federal Republic's 1953-54 contribution to the European Army will probably be difficult and prolonged.

20. Austrian trade negotiations with Soviet Union held politically necessary: American Embassy officials in Vienna are inclined to agree with Foreign Minister Gruber that it has become "politically necessary" for the Austrian Government to raise the question of a trade agreement with the Soviet Union. Soviet trade propaganda has allegedly been most effective among conservative and business circles, but Socialist leaders reputedly also accept the necessity of trade negotiations as the only way of disproving the claims of Soviet East-West trade propaganda.

Embassy officials believe that Austrian receptivity to such propaganda, which reflects mounting concern over unemployment and export problems, will largely evaporate when transactions with the USSR fall short of expectations. (S Vienna 623, 2 Sept 52)

Comment: Although Soviet propaganda and recent economic concessions have cleverly exploited Austrian economic difficulties, there is little evidence of strong political demands for an Austro-Soviet trade agreement as such. Since the Soviet Union is in a position to conduct all of its Austrian trade through "illegal" channels provided by the Administration of Soviet Enterprises in Austria (USIA), any Soviet pressure for a trade agreement would appear to be politically motivated.

Austrian leaders may be primarily hoping for Soviet "concessions" which would "legalize" USIA trade even though they express doubts that such concessions would result.

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LATIN AMERICA

21. Bolivian police use shooting incident to arrest members of opposition: The "attempted assassination" of the Bolivian President's secretary on 28 August was actually planned by the government to create an excuse for taking action against members of the opposition, [redacted] The police used the incident as a pretext to arrest about 70 persons, most of them members of the Falange Socialista Boliviana (FSB). The government had reportedly decided that the time was propitious to stop the FSB's numerous meetings. [redacted] 25X1C 25X1A

25X1A

[redacted]  
Comment: The government may well have planned the incident to curtail plotting by the FSB, which is now the principal opposition party. The FSB recently circulated widely a defamatory pamphlet against the governing Nationalist Revolutionary Movement.

25X1C

22. Communist revolutionary plot rumored in Brazil: An [redacted] in Sao Paulo, who is an active Communist, reportedly warned a former classmate in August that "within 60 days serious events will occur throughout Brazil," that "all points of resistance will be eliminated," and that "much blood will flow." [redacted] 25X1A

25X1A

[redacted]  
Comment: The Brazilian police, while not discounting the possibility of an increase in Communist capabilities, apparently have a well-founded confidence in their ability to control any subversive effort at this time. Although the militarization of the Brazilian Communist Party has probably increased during the past year, there are no indications of Communist preparations for an early revolutionary attempt. The Communists in Sao Paulo seem to be more optimistic than party members elsewhere in Brazil as to the feasibility of overthrowing the Vargas government by force.

23. Ibanez may challenge Chilean election result with "popular militia": A campaign leader for presidential candidate Ibanez del Campo reportedly has been secretly training "popular militia" groups throughout Chile "to defend the legitimate triumph of Ibanez" in the 4 September election. Arms and ammunition have been issued. [redacted] 25X1A

25X1A

Comment: This is the first detailed report of a popular militia, and is in line with activities at the enthusiastic

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Ibanez rally of 31 August, where speakers called on his followers to keep themselves in readiness "for any eventuality." The Chilean Government, according to the United States Embassy, is aware that Ibanistas are training a militia.

Ibanistas, possibly with Communist support, may foment disorders or attempt a coup if it appears that the election is rigged against their candidate, or if Ibanez gets a plurality of the votes and is not named president by a joint session of the Chilean Congress.

25X1C

24. Nicaraguan Communist Party reportedly ceasing activity temporarily: [redacted] leaders of the Nicaraguan Communist Party now admit that the government's close check on them is preventing effective operations under the present party organization. They have reportedly decided that the party will cease activity for the next six months in order to reorganize on a truly clandestine basis. [redacted] 25X1A

Comment: The Nicaraguan Communist Party was outlawed in 1945, but its 1,500 militants have continued to operate semi-clandestinely. The party's influence in Nicaraguan affairs has been diminishing because of numerous setbacks, particularly in the field of organized labor.

The party's planned reorganization is probably being carried out to ensure its continued operation in the face of the government's increasing anti-Communist stand and possible further restrictions.

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